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Portugal

HRI Food Service Sector Report

2004

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Report Highlights:
The Portuguese Hotel, Restaurant and Institutional (HRI) food service sector expanded significantly during the 80's and 90's due to profound social and economic changes. The HRI sector has become more diverse over the years and holds potential for U.S. food product exports. Ready-to-eat and/or take away foods have grown significantly. Restaurant chains have gained a large share of the market and are expected to continue growing. Tourism is a fundamental piece of the Portuguese economy and consequently to the HRI sector. Changes in menu offerings are leading to a growing taste for international and ethnic foods as well as offerings for health-conscious consumers.

Includes PSD Changes: No
Includes Trade Matrix: No
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SECTION I. Market Summary

The Portuguese Hotel, Restaurant and Institutional (HRI) food sector expanded significantly during the 80's and 90's due to profound social and economic changes. The importance of the sector and the continued specialization and growing level of management expertise among HRI players makes this sector an important area for U.S. food exporters.

The Portuguese HRI sector is very complex and diverse.

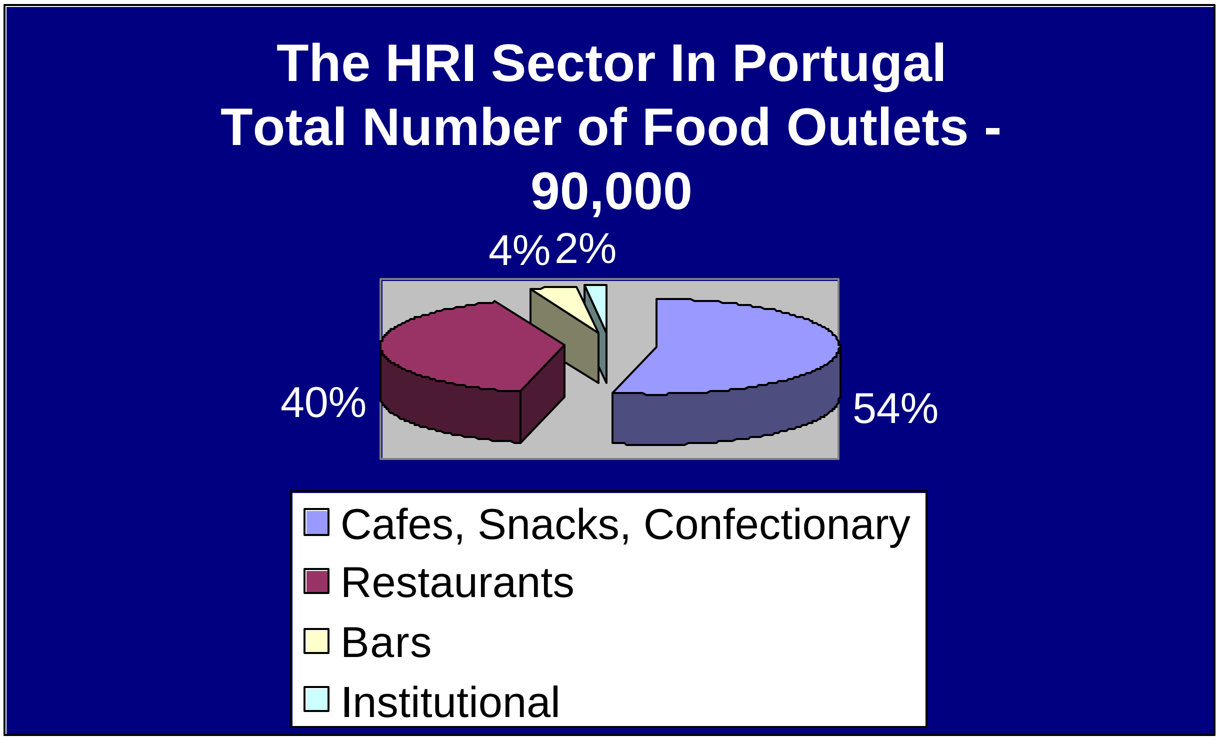
- Total number of food outlets rose from around 25,000 some 20 years ago to a total of around 90,000 outlets in 2002.
- The HRI sector employs around 450,000 people.
- Restaurant chains are gaining a large share of the market and are expected to continue growing.
- The HRI sector is forecast to expand at a 1-2 percent annual rate over the next 3-5 years.

In 2002, the Portuguese spent 9.5 percent of their disposable income in hotels and restaurants, compared with 9.1 percent in 1995. In addition, consumption of ready-to-eat/take away food has grown significantly to meet the increased value consumers place on both convenience and time. Most hyper and supermarket chains offer ready-to-eat/take away food as well as many restaurants. There are also a significant number of food outlets specializing in take away food, ranging from barbecued poultry or other kinds of meat to more traditional meals, including soups, seafood, side dishes, etc.

Another factor that boosts demand for meals in the HRI sector is the growing number of tourists, foreign and domestic, who visit Portugal. According to the National Statistics Institute, 34.1 million tourists visited Portugal in 2003: some 10.5 million were domestic tourists and 23.6 million, foreigners. (This data includes tourists who have spent at least an overnight in Portugal.) Although these figures reflect a decrease in tourists from 2002, their total expenditures increased by 1.7 percent to € 1.491 billion.

The Portuguese HRI sector can be divided into three sub-sectors:

- Hotels and resorts;
- Restaurants (traditional, fast-food, snacks, cafes, confectionary food outlets);
- Institutional sector including catering for schools, hospitals, prisons, factories, etc. as well as catering for social events.



The increase in consumer spending on the HRI sector in Portugal is due to several social and economic factors:

- Smaller and more single person households – The size of the average Portuguese family is small, with an average of 1-2 children per household. Also, single person households are increasing, basically due to a higher household income.

- High number of women in the workforce – The percentage of women active in the workforce in Portugal is one of the highest within the EU. This contributes to the change in consumption patterns reflecting an increase in the demand for more ready-to-eat foods as well as an increase in the frequency of eating out or using catering services.

- Aging population – Around 15 percent of the total population are over 60 years old. This factor boosts institutional use at senior citizens centers and/or facilities.

- The change in eating patterns – The increased presence of ethnic foods from all over the world, caused by greater ethnic diversity as well as by increased travel abroad, reflects a change in demand for these kinds of foods. This is particularly noticeable among younger people, who have been diversifying their choices for a variety of ethnic foods.

Advantages and Challenges Facing U.S. Products in Portugal

Advantages	Challenges
Fast-food chains are boosting demand for U.S. products	EU barriers against many imported food products from third countries
Ethnic and Theme food restaurants are becoming very popular	Higher prices for U.S. food products relative to local market and/or neighboring EU countries
The Portuguese tourism industry is pushing up demand for more international foods	Competition from neighboring EU countries is fierce
U.S. producers offer quality and a variety of products for the food service industry	Portuguese importers still have limited knowledge of the quality and diversity of U.S. food products

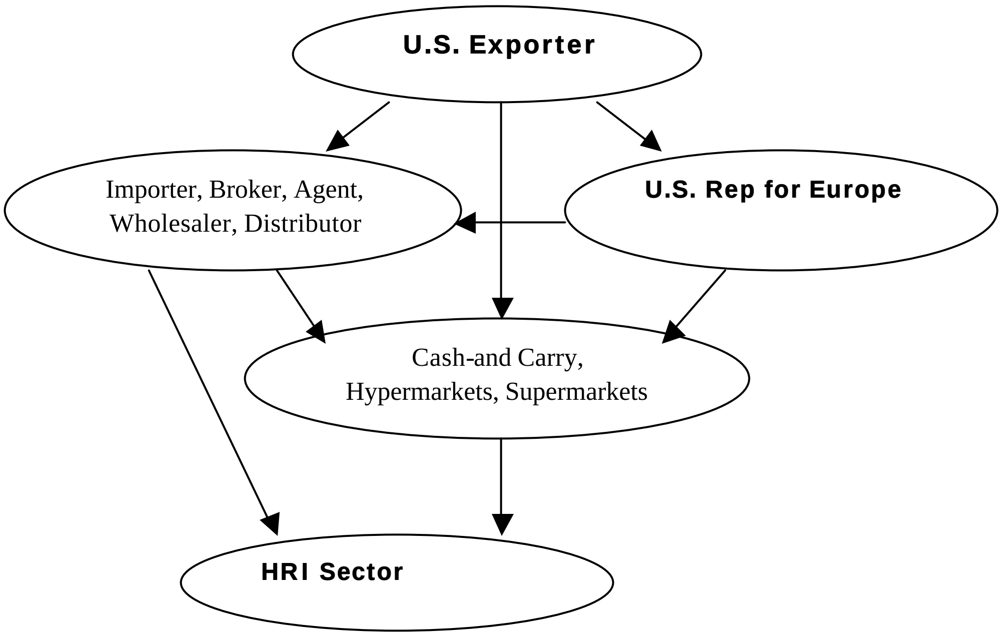
SECTION II. Road Map for Market Entry

A. Entry Strategy

To successfully enter the Portuguese market we recommended that the U.S. exporter contact a Portuguese importer, agent or wholesaler directly. Local representation is also recommended. A local representative can provide up-to-date market intelligence, guidance on business practices and trade related laws, sales contact with existing and potential buyers, and market development expertise. All of this facilitates product entry.

Portugal, as an EU member state, follows all rules and regulations that govern food legislation within the European Union. Most buyers in the HRI sector use wholesalers for their supply as wholesalers provide a wide variety of products, great storage capacity and on-time delivery. Also wholesalers look for specific products to meet the demand of their HRI clients. For example, an U.S. exporter may contact a hotel or restaurant in Portugal to see if there is any interest in their product, and if there is, the hotel and/or restaurant would then request that their wholesaler import the product. Another way to meet the key players in the HRI sector and to introduce U.S. products into the Portuguese market is by participating in sector and/or food shows in Portugal or Spain, which are visited by the Portuguese food service sector.

B. Market Structure



The Portuguese HRI sector's supply channels have the following characteristics:

Distributors

- Commercial distributors to the HRI sector are very dynamic, playing an important role in the supply of the food and beverages needs of the country's many small and diverse food service providers.

Wholesale Markets

- Most perishable products are purchased at the wholesale market. The HRI sector is, by tradition, a net consumer of fresh produce.

Importers and Wholesalers

- More specialized by product segment, importers and wholesalers also supply directly the HRI sector, particularly the restaurant and hotel chains.

Cash-and-Carry

- Open only to businesses and offering very competitive prices, they supply a wide variety of food products, from perishable to non-perishable, domestic and imported. Some cash-and-carry chains have developed stores that are opened only to the HRI sector. The most important cash-and-carry chains operating in Portugal are:

Sales Volume – Million Euros

Company Name	2000	2001	2002
MAKRO	680	648	630
Recheio	562	550	567
GCT	364	354	367
M. Nunes & Fernandes	122	139	162
Santos Cavaco	56	59	54

Supermarkets and Hypermarket

- Very important to the HRI sector when considering "last minute" purchases. Also important due to their convenient locations.

Local Producers

- Some players in the HRI sector buy directly from local producers, particularly if they are located outside the big cities. The Portuguese food service sector has a tradition of using fresh produce in their day-to-day menus, which is a symbol of quality and good service. Therefore, many restaurants and hotels, particularly the ones located along the cost, buy directly from local producers or fishermen the fresh produce and seafood needed for the day. Many small fishing enterprises have agreements to sell most of their catches to local restaurants and hotels.

C. Sub-Sector Profiles

1. Hotels and Resorts

Tourism is a very important sector in the Portuguese economy. According to the National Statistics Institute, in 2003, some 34.1 million tourists have visited Portugal: 10.5 million were domestic tourists and 23.6 million were foreign tourists. (This data is based on tourists who have spent at least an overnight in Portugal.) Although these figures reflect a decrease from 2002, total sales volume increased by 1.7 percent to € 1.491 billion. Restaurants in hotels account for 30 percent of total tourist spending.

The tourism infrastructure is well developed throughout the country, experiencing a tremendous growth since the late 80's. This tourism is considered one of the sectors with the most potential for the Portuguese economy in the long-term. The Portuguese hotel sector includes 1,898 hotel units and 239,903 beds. Between 1995 and 2003 the number of beds in the hotel sector increased by around 25 percent. This level of growth is an indicator of the importance tourism in the Portuguese economy.

The Portuguese Hotel Sector, 2003

REGION	No. of Hotels	No. of Beds
Portugal - TOTAL	1,898	239,903
Mainland Portugal	1,648	207,662
North	436	31,308
Center	261	20,294
Lisbon & Tagus Valley	418	54,430
Alentejo	105	7,541
Algarve	428	94,089
Azores Islands	63	5,388
Madeira Islands	187	26,853

Source: National Statistics Institute

Main Hotel Chains in Portugal - 2003

Company Name	Food Sales	Nationality	No. of Hotels	Purchasing Agent
Pousadas de Portugal	N/A	Portugal	43	Distributors, Cash-and-Carry, Importers, Wholesalers
Grupo Pestana **Pestana Hotels & Resorts**	N/A	Portugal	30	Distributors, Cash-and-Carry, Importers, Wholesalers
Grupo Amorim / Accor	N/A	Portugal/ France	27	Distributors, Cash-and-Carry, Importers, Wholesalers
Grupo Vila Gale	N/A	Portugal	15	Distributors, Cash-and-Carry, Importers, Wholesalers
Choice Hotels	N/A	UK	15	Distributors, Cash-and-Carry, Importers, Wholesalers
Sol Melia Group	N/A	Spain	13	Distributors, Cash-and-Carry, Importers, Wholesalers
The Tivoli Hotels Group	N/A	Portuguese	11	Distributors, Cash-and-Carry, Importers, Wholesalers

2. Restaurants

The total number of food outlets rose from around 25,000 some 20 years ago to around 90,000 outlets in 2002. Restaurant sales are currently estimated at about € 15 billion and are forecast to expand at a 2-3 percent annual rate over the next five years. Although traditional restaurants still dominate, changes in Portuguese eating habits and lifestyles have been accelerating the growth of chain restaurants during the past ten years. The growth of fast food restaurants has been significant: fast food restaurants such as McDonald’s and Pizza Hut have been multiplying. McDonald’s has experienced a major expansion in the past twelve years, and now has 111 outlets in Portugal and 6,000 employees. McDonald's tops the list of fast food restaurants, followed by Pizza Hut and Telepizza. Ethnic and Theme restaurants have also experienced a boom in popularity, particularly Chinese, Tex-Mex, Japanese and Mexican. New types of "healthy" fast food restaurants have emerged: salad and gourmet bars, vegetarian restaurants as well as soup bars. Portuguese consumers are more health conscious, particularly after some of the recent crises that affected food safety. Under the speciality food sector, coffee shops and ice-cream shops are also growing very rapidly. Food Courts and other types of food service establishments, located in modern shopping and entertainment centres are very popular in Portugal and attract a continuously growing number of customers. Fast food chains, restaurants and coffee shops consider such places as key locations for their business. Restaurant chains buy their food products from either local or European suppliers, depending on the type of the product. Some of them consolidate purchases for the whole chain.

Main Fast Food Chains in Portugal – 2003

Company Name	Food Sales	No. Of Outlets	Purchasing Agent
McDonald's	N/A	111	Importers, Distributors, Wholesalers
Pizza Hut	N/A	76	Importers, Distributors, Wholesalers
Telepizza	N/A	63	Importers, Distributors, Wholesalers
Pans & Company	N/A	29	Importers, Distributors, Wholesalers
Joshua's Shoarma Grill	N/A	28	Importers, Distributors, Wholesalers
Loja das Sopas	N/A	26	Importers, Distributors, Wholesalers
A Cascata	N/A	20	Importers, Distributors, Wholesalers
Sopas & Sopas	N/A	17	Importers, Distributors, Wholesalers
KFC	N/A	14	Importers, Distributors, Wholesalers

Main Specialty Food Chains in Portugal – 2003

Company Name	Food Sales	No. Of Outlets	Purchasing Agent
Mundo do Café	N/A	43	Importers, Distributors, Wholesalers
Délifrance	N/A	24	Importers, Distributors, Wholesalers
Croissanterie de Paris	N/A	23	Importers, Distributors, Wholesalers
Baskin Robbins	N/A	20	Importers, Distributors, Wholesalers
Café di Roma	N/A	20	Importers, Distributors, Wholesalers
Haagen Dasz	N/A	14	Importers, Distributors, Wholesalers
Yogen Fruz	N/A	14	Importers, Distributors, Wholesalers
Farggi	N/A	13	Importers, Distributors, Wholesalers
Price Ice Cream	N/A	13	Importers, Distributors, Wholesalers
Lojinha d'Avó	N/A	12	Importers, Distributors, Wholesalers

3. Institutional Food Sector

The Portuguese institutional food sector consists of three major segments: business and industry, schools and health care. As in many other sectors, a few large companies, including EUREST, Gertal, Itau, Solnave, Ica and Sogenave, dominate the Portuguese institutional food sector. CateringPor, a Portuguese/Dutch company, specifically caters to airlines, serving 25,000 meals a day, with a market share of 82 percent within the airlines that operate in Lisbon airport.

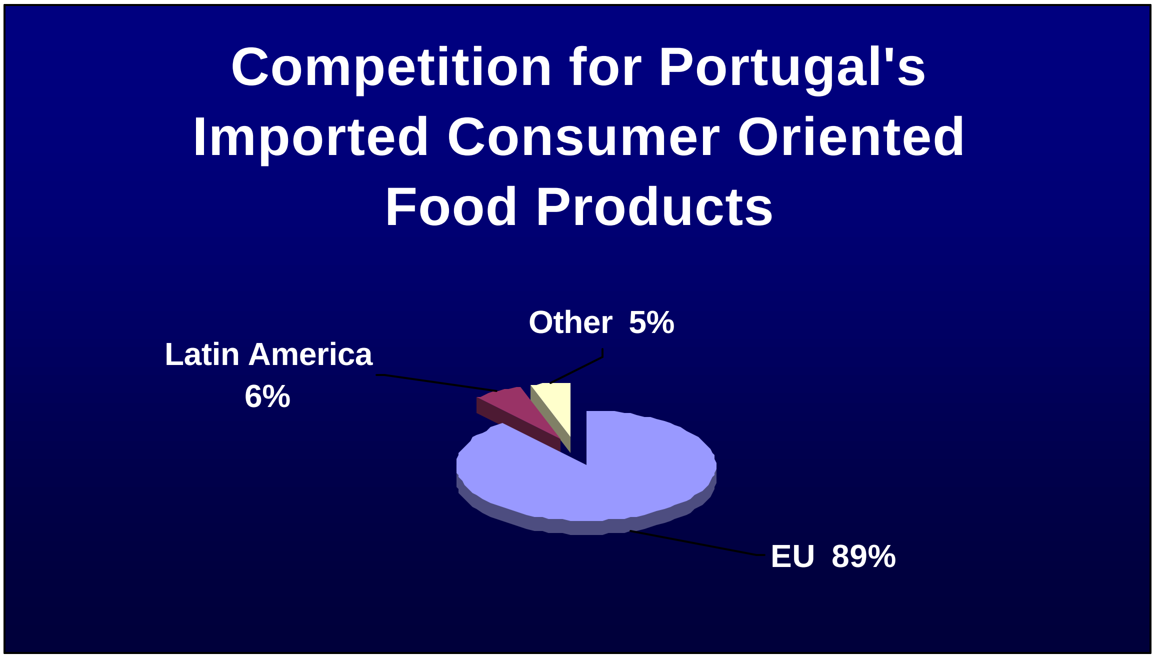
In 2002, total sales of the Portuguese institutional food sector reached € 345 million, representing an increase of 15 percent from 2001.

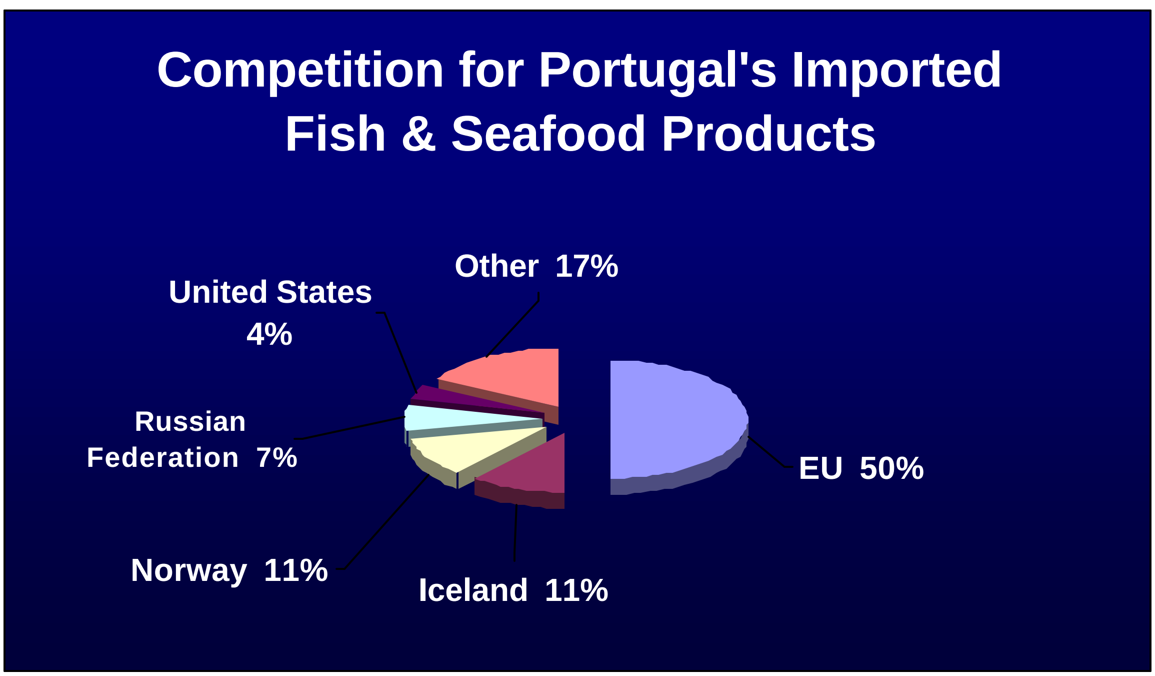
The Portuguese Institutional Food Sector by Segment - 2002
(Million €)

Business & Industry		Education		Health/Welfare		Other Segments		Total	
Mil €	%	Mil €	%	Mil €	%	Mil €	%	Mil €	%
175	51	65	19	90	26	15	4	345	100

These large companies import directly some food products, particularly high-value products and indirectly import others, including seafood, through local importers and wholesalers. They often rely on their suppliers for product selection. Consequently, U.S. exporters should focus their efforts on working with importers and wholesalers who supply this sector.

SECTION III. COMPETITION





The EU is the main competitor to U.S. consumer-oriented food imports. In 2002, Spain supplied 49 percent of total consumer-oriented imports. Spain's growing food-processing sector is aggressively promoting its products to its neighbor. France, Germany and the Netherlands follow Spain in their efforts to penetrate the Portuguese market.

As in the case of consumer-oriented food products, the EU is Portugal's main supplier of fish and seafood products. Again, Spain is the main exporter of fish and seafood products, followed by Norway and Iceland. The Spanish port of Vigo, located only a dozen miles from Portugal's northern border, is one of Europe's major entry points for seafood. Portuguese importers tend to look there for spot orders to avoid costly storage and transportation charges.

SECTION IV. BEST PRODUCT PROSPECTS

A. Products Present in the Market Which Have Good Sales Potential

Seafood Products

Portugal has one of the highest per capita consumption of fish and seafood products in the world. The increased number of tourists to Portugal also maintains this factor each year. In 2002, Portugal imported USD 965 million of fish and seafood products. Spain was the main supplier with USD 354 million, followed by Norway (USD 89 million), Iceland (USD 78 million) and Denmark (USD 66 million). The U.S. supplied an estimated USD 28 million during the same period. Declining national and EU fish catches, due to declining wild fish stocks and EU Fisheries Policy Reform, will tend to open additional trade opportunities to third-country suppliers, including the United States. Given the Portuguese demand patterns for seafood products, trade opportunities will be especially strong for several product categories of cod.

Tree Nuts

In 2002, Portugal imported USD 18 million of tree nuts, particularly walnuts, pistachios and almonds. While almonds are used mostly for further processing by the food industry, walnuts and pistachios are served as snacks in bars, snack bars and cafes. U.S. tree nuts compete with nuts from China and Iran. Trade opportunities for U.S. suppliers do exist due to the high quality of U.S. tree nuts that could meet the demand for an increasing number of high quality restaurants and hotels that serve tree nuts within a more sophisticated cuisine. However, price differential is the main factor affecting U.S. imports.

Processed Fruits and Vegetables

In 2002, Portugal imported USD 157 million of processed fruits and vegetables. The HRI sector demands huge quantities of these products. Again, the EU is the main supplier of processed fruits and vegetables, with Spain (USD 68 million) as the leader supplier, followed by France (USD 23 million) and Belgium (USD 16 million). Trade opportunities for U.S. suppliers do exist, particularly in the range of canned and frozen processed fruits and vegetables.

Wines and Beer

Portugal is a net producer of quality wines. However, due to the increasing number of tourists who visit Portugal, there might be a niche market for U.S. wines within the high standard hotel chains.

The beer market is very competitive. Beer has been replacing wine, particularly with younger people. U.S. suppliers might find an opportunity with new and innovative products, especially those that complement Tex-Mex and ethnic foods.

B. Products Not Present in Significant Quantities But Which Have Good Sales Potential

- Snacks
- Frozen deserts and cakes
- Tex-Mex products
- Fruit and vegetable juices
- Salmon, surimi and lobster

C. Products Not Present Because They Face Significant Barriers

- Poultry

Due to the chlorination issue, U.S. poultry does not enter any EU member country, including Portugal.

- Beef

Due to the hormone issue, only non-hormone treated beef may be imported into any EU member country, including Portugal.

V. POST CONTACT AND OTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Portugal, please contact the Office of Agricultural Affairs in Lisbon at the following address:

Office of Agricultural Affairs Lisbon
U.S. Embassy
Av. Das Forças Armadas
1600-081 Lisboa
Tel: 351-217702358
Fax: 351-217269721
email: aglisbon@usda.gov

Please visit the Foreign Agricultural Service home page at www.fas.usda.gov for more information on exporting U.S. food products to Portugal, including "The Exporter Guide", PO3021 and "The Retail Food Service Sector Report", PO3027, as well as "The Food and Agricultural Import Regulations and Standards" (the FAIRS Report) for Portugal, PO3015. Importer lists are available from our office to exporters of U.S. food products.

WebSites of interest:

Portuguese Ministry of Agriculture
www.min-agricultura.pt

National Statistics Institute
www.ine.pt